

Message Text

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ACTION EUR-12

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC PRIORITY 4508

C O N F I D E N T I A L BUDAPEST 3445

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJ: WORLD WAR I FLOUR DEBT AND JOHNSON ACT

REF: STATE 250958; STATE 250063

1. EVER SINCE MAY 30 WHEN MCAULIFFE CALLED ON HUNGARIAN FINMIN FALUVEGI (BUDAPEST 1621) AND LATTER SPOKE OF GOH DETERMINATION TO SETTLE WORLD WAR I FLOUR DEBT, MCAULIFFE HAS DELIBERATELY AND SUCCESSFULLY AVOIDED FURTHER CONVERSATION WITH THE MAN -- AND THAT'S A PITY BECAUSE FALUVEGI IS ONLY REPEAT ONLY SENIOR GOH OFFICIAL WHOM MCAULIFFE HAS ENCOUNTERED WHO HAS DARED TO CONVERSE WITHOUT THAT OMNIPRESENT NOTE-TAKER. BUT LAST NIGHT (OCTOBER 21) AT YUGOSLAV EMBASSY, ODON KALLOS (PRESIDENT OF HUNGARIAN CHAMBER OF COMMERCE) WHO WAS WAXING LYRICAL TO MINISTER FALUVEGI OVER SECRETARY MORTON'S RECENT ROUNTABLE EXCHANGE WITH ENTERPRISE MANAGERS (BUDAPEST 3329) DRAGGED MCAULIFFE INTO CONVERSATION WITH FINMIN.

2. HAVING JUST HEARD KALLOS' GLOWING REPORT, FALUVEGI TACKLED MCAULIFFE SAYING HE ONLY WISHED THAT TREASURY DEPARTMENT WOULD RESPOND TO GOH INQUIRIES IN SAME FORTHRIGHT WAY THAT DEPARTMENT OF COMMERCE HAD HANDLED QUESTIONS FROM ENTERPRISE MANAGERS. WITH A SMILE,
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BUT WITH CONVICTION IN HIS VOICE, FALUVEGI SAID AKAR WAS

PROMISED AN ANSWER IN APRIL 1975 BY RESPONSIBLE OFFICIALS IN WASHINGTON; HE HAD PERSONALLY RAISED MATTER WITH MCAULIFFE; AKAR HAD ON SEVERAL OCCASIONS REMINDED EMBASSY ECONOFF OF U.S. PLEDGE; TRYING YET ANOTHER AVENUE HE HAD ASKED HELP OF VISITING SENIOR OFFICIAL CHASE MANHATTAN BANK (WENTWORTH, BUDAPEST 2917). SINCE NONE OF THESE INFORMAL INITIATIVES HAD YIELDED RESULTS, HE HAD DECIDED TO TRY GOVERNMENT-TO-GOVERNMENT DIPLOMATIC CHANNELS AND HAD REQUESTED ASSISTANCE OF FONOFF. MCAULIFFE REPLIED RATHER LAMELY THAT ACTING HEAD SECTION V AT MFA (LASZLO NAGY) HAD RECENTLY BROACHED MATTER WITH DCM MUDD, AND THAT HE KNEW FOR CERTAIN THAT DEPARTMENT AND OTHER INTERESTED WASHINGTON AGENCIES ARE SERIOUSLY AND ASSIDUOUSLY EXAMINING THESE REPEATED HUNGARIAN REQUESTS FOR INFORMATION. HE FURTHER EXPLAINED THAT MATTER HAS NOT LANGUISHED IN WASHINGTON BUT THAT ISSUE SO COMPLEX THAT SIMPLE ANSWER AND SUPERFICIAL STUDY WILL NOT SUFFICE. FALUVEGI NODDED UNDERSTANDINGLY AND SAID THAT GOH, WHICH HAS WAITED SINCE APRIL FOR REPLY, IS NOT IMPATIENT; NOR IS GOH IMPATIENT FOR SOLUTION OF THE TWO KEY POLITICAL ISSUES (COMMENT: MFN AND CROWN OF ST. ISTVAN) WHICH HUNGARIAN LEADERSHIP HAS MENTIONED TO SECRETARY KISSINGER AND TO SENIOR MEMBERS OF U.S. ADMINISTRATION DURING THEIR RECENT VISITS TO BUDAPEST. ON OTHER HAND, FALUVEGI SAID HE WAS "UNDER INSTRUCTIONS" TO CLEAR UP ALL BILATERAL US-HUNGARIA FINANCIAL ISSUES AND OBTAIN OFFICIAL ASSURANCE IN WRITING WHEN HE HAD DONE SO THAT "DISCRIMINATORY PROVISIONS" OF JOHNSON ACT NO LONGER APPLY TO HUNGARY. MCAULIFFE THANKED FALUVEGI FOR HIS FRANKNESS AND PROMISED TO RENEW HIS ATTEMPTS TO OBTAIN AN ANSWER FROM WASHINGTON. AGAIN REPEATING THAT GOH DID NOT EXPECT INSTANTANEOUS ANSWERS TO DIFFICULT INQUIRIES, FALUVEGI SAID THAT, NEVERTHELESS, HE HAD TO EXECUTE HIS "INSTRUCTIONS" AND THAT UNLESS SOME RESPONSE FROM U.S. SID FORTHCOMING SOON HE WOULD FIND HIMSELF FORCED TO REQUEST FONOFF TO INSTRUCT AMBASSADOR ESZTERGALYOS TO BEGIN TO PRESS MATTER "IN DEPARTMENT, IN TREASURY AND ELSEWHERE IN WASHINGTON."

3. COMMENT: STATE 250063 AND STATE 250958 ARRIVED WHILE THIS MESSAGE WAS BEING DRAFTED. THE DEPARTMENT'S TIMING IS JUST PERFECT.

MCAULIFFE
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